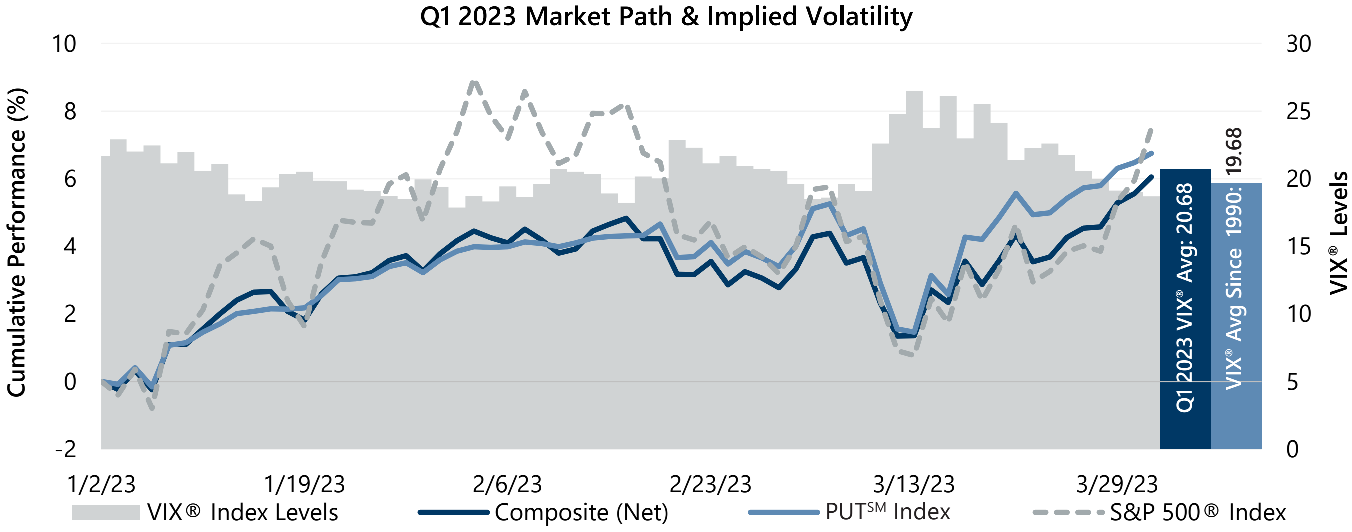
In Brief

- Gateway Active Index-PutWrite Composite (the Composite) returned 6.03%, net of fees, in the first quarter compared to the 6.75% return of the Cboe® S&P 500 PutWrite℠ Index[i] (the PUT℠) and the 7.50% return of the S&P 500® Index. (A GIPS® Composite Report is included with this Commentary.)
- Shifting expectations around the potential U.S. Federal Reserve (the Fed) policy drove the equity market during the first quarter as the threat of a banking crisis highlighted the economic effects of monetary tightening. These concerns led to a -7.53% return for the S&P 500® Index from February 2 to March 13. During the drawdown, the Composite provided 456 basis points (bps) of loss mitigation relative to the S&P 500® Index with a return of -2.97%, while the PUT℠ returned -2.42%.
- The Composite provided loss mitigation relative to the S&P 500® Index through the steep market decline during the quarter, but the PUT℠ was significantly aided by the timing of when its index put options were written. While the Composite's active approach resulted in a typical and consistent amount of equity market exposure, the PUT℠ had less market exposure than usual during the start of the market's decline.
- The S&P 500® Index, the PUT℠ and the Composite had an annualized standard deviation of daily returns of 16.80%, 8.65% and 8.76% for the first quarter, respectively.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 20.68 in the first quarter of 2023. Average implied volatility was higher than realized volatility, as measured by the standard deviation of daily returns for the quarter. The VIX® opened the year at 21.67, drifted to a first quarter low of 17.87 on February 1, then climbed to an intra-quarter high of 26.52 on March 13 – its highest level since October 2022. The VIX® closed the quarter at 18.70.
- Adjustments to the written index put option portfolio during the quarter focused on monetizing above-average levels of volatility. The investment team was patient in making adjustments while above-average premiums allowed for attractive participation in the market's advance and contributed to loss mitigation during periods of decline.
- Investors are facing many challenges and a new investment landscape in 2023 with an abundance of ongoing uncertainty – causing many more to diligently ask, "what can I expect from this investment?" Index options-based strategies that benefit from elevated and consistently overpriced implied volatility for risk reduction and risk-adjusted return enhancement may be the answer for which they're looking.



Sources: Morningstar Direct℠ and Bloomberg, L.P. Past performance does not guarantee future results.

Market Recap

The S&P 500® Index returned 7.50% in the first quarter of 2023 with monthly returns of 6.28%, -2.44% and 3.67% for January, February and March, respectively. Persistently high inflation showed signs of softening in January and fueled optimism that the Fed would take a less-hawkish tone and slow the pace of monetary tightening. From the start of January through February 2, the S&P 500® Index climbed 8.98%. Euphoria turned to despair as strong macroeconomic data led the Fed to underline a commitment to raising interest rates to tame record inflation. Potential economic effects of Fed actions are yet to be fully seen, but it has devalued fixed income securities and, paired with significant depositor withdrawals in March, led to the collapse of several banks. The S&P 500® Index returned -7.53% from February 2 to March 13. Emergency measures to mitigate failing confidence in the financial system and a reversion to expecting a less-hawkish Fed in wake of the banking crisis led the equity market to advance 6.67% from March 13 through quarter-end.

Data released in March showed a steady but potentially cooling U.S. economy. The third estimate of Gross Domestic Product for the fourth quarter of 2022 showed that the U.S. continued to grow by an annualized rate of 2.6%, slightly below the consensus expectation of 2.7% and trending down from initial estimates in January. The February unemployment rate of 3.6% was an increase from the prior month and worse than the consensus estimate, while the participation rate ticked up to 62.5%. The February Consumer Price Index, released March 14, showed a year-over-year increase of 6.0%, matching the consensus expectation. Fourth quarter aggregate operating earnings were on track to decline over 3% quarter-over-quarter while decreasing more than 5% year-over-year. With over 99% of S&P 500® Index companies reporting, 73% met or exceeded analyst estimates.

Implied volatility, as measured by the VIX®, averaged 20.68 in the first quarter. Consistent with its typical relationship, average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns for the S&P 500® Index, which was 16.80% for the quarter. The VIX® ended 2022 at 21.67 before declining to a first quarter low of 17.87 on February 1. A whiff of banking crisis led the VIX® to an intra-quarter high of 26.52 on March 13 – its highest level since October 2022 – before closing the quarter at 18.70.

The PUT℠ returned 6.75% in the first quarter, lagging the S&P 500® Index by 75 bps. The PUT℠ trailed the S&P 500® Index during the January and March advance but provided 249 bps of loss mitigation during February's decline. The PUT℠ returned 3.60%, 0.05% and 2.99% in January, February and March, respectively. On the third Friday of each month, the PUT℠ writes a new index put option as the option it wrote the previous month expires. The premiums[ii] the PUT℠ collects on its written index put options have significant influence on its return potential during market advances and help to mitigate losses during market declines. The premiums the PUT℠ collected as a percentage of its underlying value were 1.73%, 1.91% and 2.58% in January, February and March, respectively. The remaining time premium from the PUT℠'s expiring index put option combined with the premium collected when writing a new index put option with February expiration contributed to its 2.18% return from the start of the year through its January 19 expiration - outpacing the 1.62% return of the S&P 500® Index. As the market decline began in February, the PUT℠ positioning, combined with premium collected from writing a new index call option with a March expiration, contributed to significant downside protection during the equity market's mid-quarter decline. As the S&P 500® Index returned -7.53% from February 2 to March 13, the PUT℠ provided 510 bps of risk mitigation with a return of -2.43%. In March, the PUT℠ wrote a new index put option with an April expiration, and a portion of the premium it received contributed to the return of the PUT℠ over the remainder of the quarter. From March 13 through quarter-end, the PUT℠ returned 5.22% compared to the 6.67% return of the S&P 500® Index.

The Bloomberg U.S. Aggregate Bond Index returned 2.96% in the first quarter as interest rates retreated slightly in response to turmoil in the banking sector. The yield on the 10-year U.S. Treasury Note (the 10-year) ended 2022 at 3.87% before drifting to a low of 3.37% on January 18. The 10-year yield rose to an intra-quarter high of 4.06% on March 2. As banks began to collapse and hopes climbed of a pause in monetary tightening, the yield on the 10-year drifted to close the quarter at 3.47%. The yield on the 2-year U.S. Treasury Note (the 2-year) exceeded that of the 10-year for the entire quarter, an inversion of its typical relationship that began on July 5, 2022. At the shorter-end of the yield curve, rates rose over the first quarter, flattening the yield curve slightly. On July 5, 2022, the yield curve inverted, with the 2-year yield exceeding that of the 10-year. The inversion remained throughout the quarter, widening to over 100 bps in March, before narrowing a bit by quarter-end. At 4.03%, the yield on the 2-year was 56 bps higher than the 10-year on March 31. On the shorter end of the yield curve, U.S. Treasury Bills with maturities of 12 months declined slightly during the quarter while yields for terms shorter than 12 months climbed significantly – averaging 29 bps from the end of 2022. In the first quarter, the yields on the 6-month bill and 12-month bill ended the quarter at 4.86% and 4.59%, respectively. The yield on the 1-month and 3-month U.S. Treasury Notes rose by 43 and 35 bps during the first quarter, respectively, closing March at 4.40% and 4.69%, respectively.

Gateway Active Index-PutWrite Composite Performance

The Composite returned 6.03%, net of fees, in the first quarter, compared to the 6.75% return of the PUT℠. The Composite returned 3.76%, -0.69% and 2.90% in January, February and March, respectively. Most of the Composite's underperformance relative to the PUT℠ occurred during February, as its active approach led to consistent market exposure and risk profile throughout the month, while the PUT℠'s single-contract, rules-based approach led to low equity market exposure as the market began its decline. Elevated implied volatility continued to support higher index option premiums and potential net cash flow during the quarter, which helped the Composite participate in the intra-quarter market advances while providing loss mitigation during periods of decline.

The Composite returned 4.45% compared to the 3.99% return of the PUT℠ from the start of 2023 through February 2, while the S&P 500® Index climbed 8.98%. As the equity market declined over concerns around the global banking system, the Composite provided 456 bps of downside loss mitigation with a return of -2.97% from February 2 to March 13, relative to the -7.53% return of the S&P 500® Index. As the equity market advanced from March 13 through quarter-end, the Composite returned 4.64% while the PUT℠ and S&P 500® Index climbed 5.22% and 6.67%, respectively.

For the first quarter, the Composite's underlying Treasury bill portfolio contributed positively to total return. The Composite's written index put options also contributed to return during the quarter.

In achieving its low-volatility objective, the Composite's annualized standard deviation of daily returns for the quarter was 8.76% compared to 16.80% and 8.65% for the S&P 500® Index and the PUTSM, respectively. The Composite exhibited a beta to the S&P 500® Index of 0.49 for the quarter.

Gateway's investment team was active in its management of the Composite's index option portfolio during the quarter. As the equity market trended down from February 2 to March 13, adjustments to the written index put option portfolio focused on lowering the weighted-average strike price to maintain market exposure that is consistent with its typical profile while taking advantage of elevated implied volatility to enhance cash flow potential. During periods of market advance, the team exchanged select index put option contracts well in advance of their expiration dates for ones with later expiration dates and higher strike prices. These adjustments were made to benefit from the relatively elevated volatility priced into later-dated contracts.

At the end of the quarter, the full value of the Composite's maximum potential loss on written index put options was secured with Treasury bills and cash. The Composite's diversified portfolio of written index put options had a weighted-average strike price between 1.5% and 2.5% out-of-the-money, weighted-average time to expiration of 27 days and annualized premium to earn between 10% and 12.5%. Relative to the beginning of the quarter, this positioning represented slightly lower market exposure and similar cash flow potential.

Performance & Risk (%)	Q1 2023	1 Year	3 Years	5 Years	Inception (4/1/2015)	Inception Risk[1]
The Composite (Net)	6.03	-4.29	12.12	6.21	6.40	10.11
PUT℠ Index	6.75	-3.08	15.63	6.09	6.51	10.61
S&P 500® Index	7.50	-7.73	18.60	11.19	11.03	15.95

Periods less than one year are not annualized. Past performance does not guarantee future results. Data as of March 31, 2023. Source: Morningstar Direct℠.
1: Based on standard deviation of monthly returns since Composite inception date of April 1, 2015.

Market Perspective – Steady Turbulance

- Investors are facing many challenges and a new investment landscape. Equity valuations are lower, but not *cheap*, and volatility levels have shifted higher. On the flip side, on a real-return basis, bonds face their own challenges as interest rates are on the rise.
- By taking advantage of current interest rate and volatility dynamics, index options-based strategies that seek to benefit from the consistent overpricing of implied volatility, as seen in the Volatility Risk Premium (VRP), are showing the ability to generate meaningful cash flow for investors and a potential source of improved risk-adjusted return.

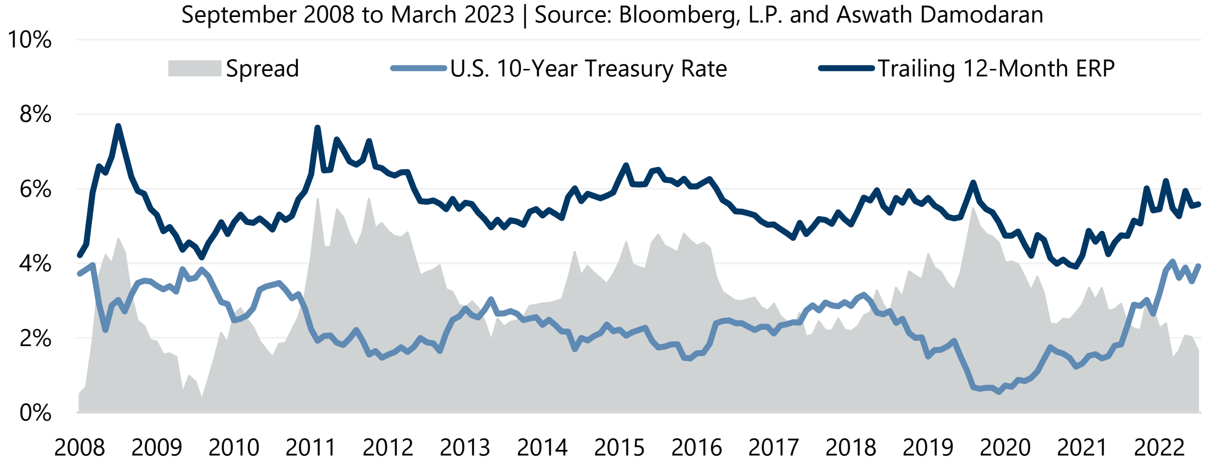
Like a simple two-sided coin toss, a sharp move in an investment one way or the other is almost certain to result in a winner and a loser. The rapid rise in interest rates that investors are grappling with is starting to provide a similar profile of potential outcomes. There is an old adage on Wall Street that suggests the Fed will raise rates until something breaks, which raises curiosity about those shadows lurking around the next decision by the central bank.

So far in 2023, investors are adjusting their portfolios given the reality of this new interest rate environment. Fixed income instruments may seem attractive on an absolute basis, however, once accounting for current inflation, real return expectations start to diminish as discussed in Real Return Conundrum. Using the price-to-earnings (P/E) ratio of the S&P 500® Index, equities still appear to be relatively expensive with a P/E of 18.5 at close of March 2023, compared to six months prior - when the same ratio was around 16.0. While corporations adjust to the growing number of challenges in a post-COVID world – partially by raising prices - and valuations remain elevated, the Fed has been committed to raising rates in an effort to tame inflation. Given the shift in market dynamics, investors now more diligently seek to answer the question *"what can I expect from this investment?"*

Figure 1 below shows the spread between Treasury Bond rates and the Equity Risk Premium (ERP). As shown in the grey area, this difference has compressed significantly since early-2020 as rates continue to rise. Going back to the end of 2008, the average spread between these two is 3.15% whereas current levels have now fallen below 2.0%. The "TINA" (there is no alternative) environment known to investors during the quantitative easing era is gone now, which has squeezed the spread between risk and riskless assets.

Figure 1: U.S. 10-Year Treasury Bond Rates vs. ERP

September 2008 to March 2023 | Source: Bloomberg, L.P. and Aswath Damodaran

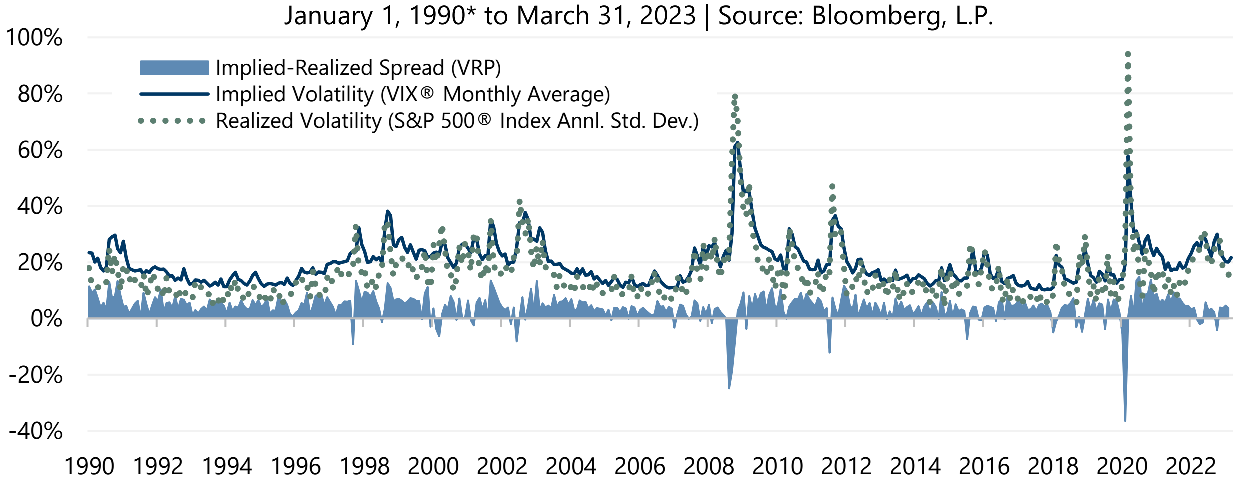


Past performance does not guarantee future results.

In a challenging environment, however, the VRP remains steady, and frequently above average. The VRP premium represents the difference between implied volatility, as measured by the average closing price of the VIX®, and realized volatility, as measured by the standard deviation of daily returns for the S&P 500® Index. As shown in Figure 2, going back to the VIX® inception in January 1990 through March 2023, the VRP has been positive 89% of the time with an average of 4.1%.

Figure 2: Average Implied Volatility for S&P 500® Index Options vs. Realized Volatility for S&P 500® Index

January 1, 1990* to March 31, 2023 | Source: Bloomberg, L.P.



Past Performance does not guarantee future results.

Gateway's investment philosophy holds that consistency is the key to long-term investment success and that generating cash flow through monetizing volatility, rather than seeking to forecast the rise and fall of the market, can be a lower risk means to participate in equity markets. Strategies that employ index option writing offer exposure to richly priced implied volatility and benefit from both higher levels of interest rates and implied volatility, creating the potential to generate attractive risk-adjusted returns over the long-term.

Important Information

[i] The PUT℠ is a passive total return index designed to track the performance of a hypothetical portfolio that sells S&P 500® Index put options against collateralized cash reserves held in a money market account. The PUT℠ strategy is designed to sell a monthly sequence of S&P 500® Index puts and invest cash at one- and three-month Treasury Bill rates. The monthly sequence entails writing one-month S&P 500® Index put options with a strike price approximately at-the-money each month on the Friday of the standard index option expiration cycle and holding that position until the next expiration. The number of put contracts with identical strike prices and expiration dates sold varies from month to month but is limited so that the amount held in Treasury Bills can finance the maximum possible loss from final settlement of the S&P 500® Index puts.

[ii] Premiums are calculated as a percentage of the written index put option's strike price. The number of put options written is limited such that the maximum potential loss of the written puts cannot exceed cash on hand. The writer of an index put option is obligated to deliver cash in an amount equal to the difference between the put contract's strike price and the value of the index at expiration. The maximum potential loss of a written index put option would occur if the value of the index, in this case the S&P 500® Index, fell to zero. Since the writer of an index put option is obligated to deliver cash in an amount equal to the difference between the put contract's strike price and the value of the index at expiration, the maximum potential loss would be equal to the strike price times the number of contracts written.

For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit www.gia.com/insights.

Gateway Investment Advisers, LLC (Gateway) is an independent registered investment adviser and a successor in interest to Gateway Investment Advisers, L.P. as of February 15, 2008. Performance information for Gateway Active Index-PutWrite Composite (the Composite) shown in this illustration is an asset-weighted composite of a portfolio sleeve of certain discretionary accounts under Gateway's management which share the same investment objectives and hedging strategies.

The Composite contains fully discretionary option writing accounts that sell (write) index put options on the S&P 500® Index. The written put options are exchange-traded and fully cash-secured. Indexes utilized for put option activity are liquid U.S. equity indexes that include all sectors of the U.S. economy. Put writing activity provides cash flow and equity market correlation. The Composite was created on April 1, 2015. The Composite net of fee performance results reflect the reinvestment of dividends and any other earnings, and was calculated using the Composite's highest tier of the current fee schedule of 0.35%. Fees may be less or more than fees that other accounts would pay for this strategy in the future. A more detailed description of Gateway's standardized fees is included in Form ADV, Part 2.

For comparison purposes, the Composite may be measured against the following indexes:

Cboe® S&P 500 PutWrite℠ Index, a passive total return index designed to track the performance of a hypothetical put-write strategy on the S&P 500® Index;

S&P 500® Index, a popular indicator of the performance of the large capitalization sector of the U.S. stock market. Performance results are expressed in U.S. dollars;

Selling index put options can reduce the risk of equity market volatility, but limits the opportunity to profit from an increase in the market value of stocks in exchange for up-front cash at the time of selling the put option. Unusual market conditions or the lack of a ready market for any particular option at a specific time may reduce the effectiveness of the Composite's option strategy, and for these and other reasons the Composite's option strategy may not reduce the volatility to the extent desired. Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

The GIPS® Composite Report for the Gateway Active Index-PutWrite Composite is included with this document. Additional copies are available upon request by calling 513.719.1100.

Data sources: Gateway Investment Advisers, LLC, Bloomberg, L.P. and Morningstar Direct℠

GATEWAY
INVESTMENT ADVISERS, LLC

Gateway Active Index-PutWrite Composite

GIPS® Composite Report

Year End	Annual Performance Results: Composite Gross	Composite Net	% of Non-Fee Paying	PUT℠ Index	S&P 500® Index	3-Year Standard Deviation: Composite	PUT℠ Index	S&P 500® Index	Number of Composite Accounts	Composite Assets (millions)	Firm Assets (millions)
9 Months Ended 12/31/2015	4.34%	4.07%	100%	5.94%	0.45%	N/A	N/A	N/A	1	$ 5	$12,210
2016	8.76	8.37	100	7.77	11.96	N/A	N/A	N/A	1	6	11,601
2017	12.15	11.75	100	10.85	21.83	N/A	N/A	N/A	1	5	12,559
2018	-5.61	-5.96	100	-5.93	-4.38	6.89%	7.50%	10.95%	1	4	11,641
2019	17.15	16.73	100	13.51	31.49	7.52	7.92	12.10	1	5	10,950
2020	8.26	7.87	100	2.13	18.40	12.29	14.03	18.80	1	5	9,963
2021	18.93	18.51	100	21.79	28.71	11.22	13.06	17.41	1	4	11,556
2022	-12.11	-12.43	100	-7.66	-18.11	13.77	14.45	21.16	1	2	8,593

N/A: The gross three-year annualized ex-post standard deviation of the Composite and benchmarks is not presented as 36-month returns are not available. For all periods shown, the Composite has less than six accounts for the full year. As such, the Composite dispersion of portfolio returns is not applicable.

Gateway Active Index-PutWrite Composite contains fully discretionary option writing accounts that sell (write) index put options. The written put options are fully cash-secured. Indexes utilized for put option activity are U.S. domestic equity indexes that include all sectors of the economy. This put writing activity provides cash flow and equity market correlation. The creation and inception date of the Gateway Active Index-PutWrite Composite was April 1, 2015.

For comparison purposes, the Composite is measured against two indexes: the Cboe® S&P 500 PutWrite℠ Index (PUT℠ Index), a passive total return index designed to track the performance of a hypothetical put-write strategy on the S&P 500® Index and the S&P 500® Index, a popular indicator of the performance of the large capitalization sector of the U.S. stock market.

Performance results are expressed in U.S. dollars. Performance returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using the Composite's highest tier of the current fee schedule of 0.35%. Past performance is not indicative of future results. The 3-year standard deviation is calculated using gross returns.

The investment management fee for the Composite is 0.35%. Actual investment management fees incurred by Composite accounts may vary.

Gateway Investment Advisers, LLC (Gateway) is an independent registered investment adviser and a successor in interest to Gateway Investment Advisers, L.P. as of February 15, 2008. Gateway claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Gateway has been independently verified for the periods January 1, 1993 through December 31, 2022. A firm that claims compliance with the GIPS® standards must establish policies and procedure for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. The Gateway Active Index-PutWrite Composite has had a performance examination for the periods April 1, 2015 through December 31, 2022. The verification and performance examination reports are available upon request.

Policies for valuing investments, calculating performance and preparing GIPS® reports are available upon request. Gateway's lists of composite descriptions and broad distribution pooled funds are also available upon request.